

**OFFICE OF THE EXECUTIVE SECRETARY  
OF THE SUPREME COURT OF VIRGINIA  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE TWO-YEAR PERIOD ENDED  
JUNE 30, 1999**

***AUDITOR OF  
PUBLIC  
ACCOUNTS***



***COMMONWEALTH OF VIRGINIA***

## **AUDIT SUMMARY**

This report includes the Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals, Virginia Criminal Sentencing Commission, and Judicial Inquiry and Review Commission.

Our audit of these agencies for the two-year period ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in the internal controls tested; however, we did find a certain matter regarding the Office of the Executive Secretary of the Supreme Court of Virginia's methodology in reporting accounts receivable balances that we consider a reportable condition; and
- no instances of non-compliance that are required to be reported.

The reportable condition is described in the section of the report titled "Agency Background and Financial Information."

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May 22, 2000

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals, the Virginia Criminal Sentencing Commission, and the Judicial Inquiry and Review Commission** for the two-year period ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the agencies' internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the agencies' operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues  
Expenditures  
Accounts Receivable

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether controls were adequate, had been placed in operation, and were

being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

Management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a certain matter involving the Office of the Executive Secretary of the Supreme Court of Virginia's internal control and operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect an agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. The reportable condition, entitled "Update Accounts Receivable Reporting Method" is described in the section titled "Agency Background and Financial Information." We believe that the reportable condition is not a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

#### EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 29, 2000.

AUDITOR OF PUBLIC ACCOUNTS

## AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Office of the Executive Secretary of the Supreme Court administers the judicial system of 327 courts including the Supreme Court and Court of Appeals, with approximately 2,400 employees. The Office maintains the Court Automated Information System (CAIS), which is used by the courts to accumulate financial and case information. The Office also provides administrative services, including payment and payroll processing, for the courts and magistrates, the Judicial Inquiry and Review Commission, and the Virginia Criminal Sentencing Commission. A brief summary of the agencies' missions follows.

### Clerk of the Supreme Court

The Clerk of the Supreme Court is where individuals file appealed criminal and civil cases and apply for permission to practice law in Virginia courts. The Supreme Court appoints the Clerk, who serves at its pleasure. The Clerk's Office receives, processes, and maintains permanent records of appeals and other official documents filed with the Court. The Clerk also maintains records of qualified attorneys.

### Court of Appeals of Virginia

The Court of Appeals of Virginia is an intermediate appellate court for criminal and civil cases. The Clerk of the Court of Appeals, appointed by the Court, serves at its pleasure. The Clerk processes and maintains permanent records of appeals and other official documents filed with the Court.

### Virginia Criminal Sentencing Commission

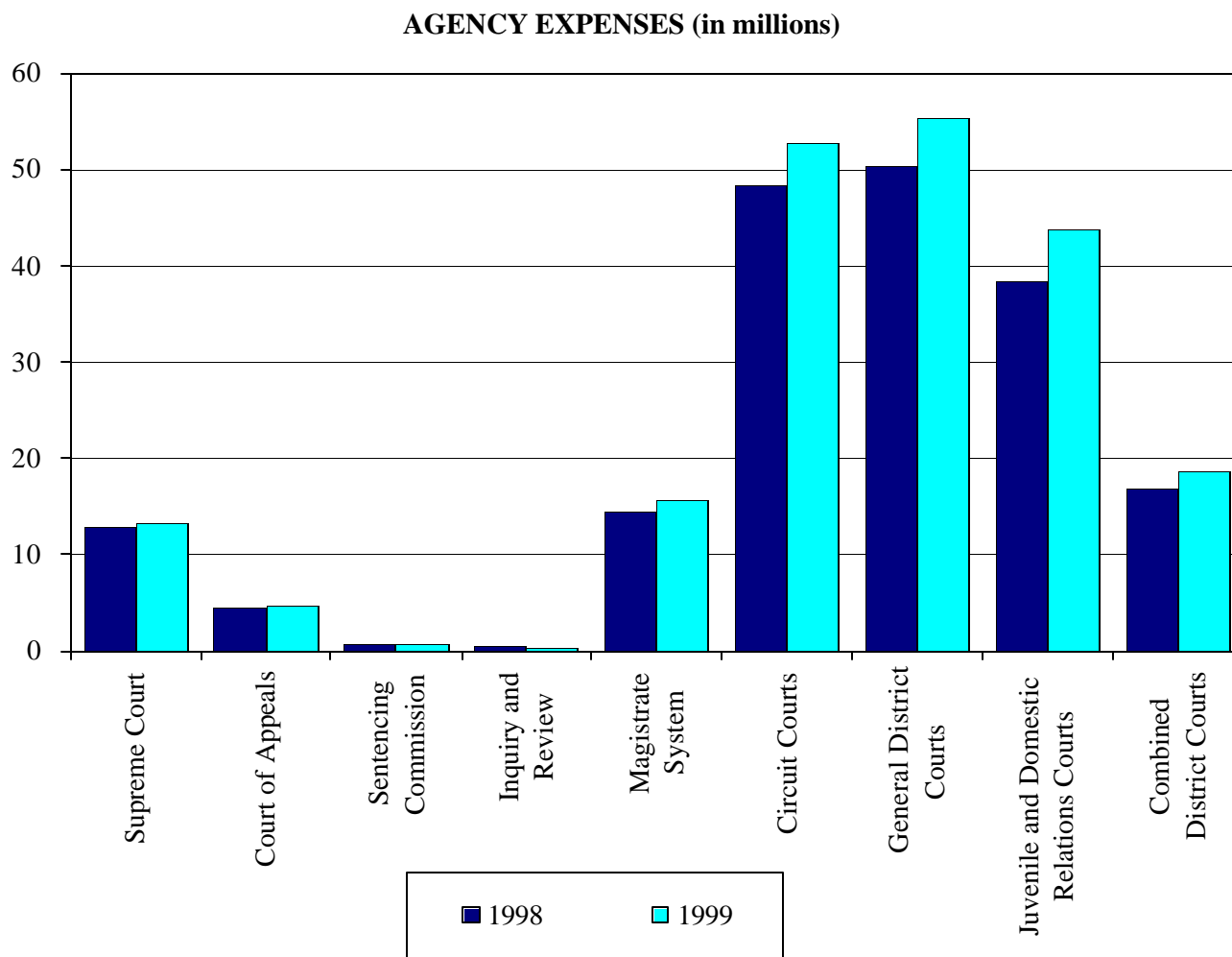
The Commission assists the judiciary by implementing a system of discretionary sentencing guidelines for imposition in felony sentences. The Commission develops and implements sentencing guidelines, performs sentencing research, and prepares an annual report outlining the prior year's sentencing history. The Commission also trains judges, commonwealth attorneys, probation officers, public defenders, and defense lawyers on sentencing guidelines.

### Judicial Inquiry and Review Commission

The Judicial Inquiry and Review Commission investigates complaints of judicial misconduct or serious mental or physical disability. The Commission employs staff that assist in the investigation of complaints of misconduct against all state court judges, members of the State Corporation Commission, and members of the Virginia Workers' Compensation Commission.

### Agency Expenditures

The following chart summarizes the expenses for the Office of the Executive Secretary and the related agencies as listed above. This information comes from the Commonwealth Accounting and Reporting System.



### Accounts Receivable

The Office of the Executive Secretary of the Supreme Court's accounts receivable consist mainly of unpaid court costs and fines incurred by persons convicted of offenses in the Commonwealth's various courts. The Office reports gross accounts receivable along with an allowance for doubtful accounts to the Department of Accounts (DOA) periodically. The allowance for doubtful accounts is management's estimate of the amount of gross receivables, which will prove uncollectible. In fiscal years 1998 and 1999, gross receivables totaled \$101,417,300 and \$106,908,140 respectively. The Allowance for Doubtful Accounts for the two periods was \$95,521,687 and \$100,631,347.

### Update Accounts Receivable Reporting Method

During our review of the accounts receivable reporting procedures, we found that the Office uses outdated data when calculating the allowance for doubtful accounts. The Office estimates the allowance at approximately 94 percent of gross receivables, which assumes a collection rate of six percent. In 1995 when the Court first used this percentage, it accurately reflected the historical collection rate for receivables.

Because of numerous changes to collection procedures, statewide collection percentages have improved significantly since that time. The following table demonstrates the increase in collections from 1996 to 1999.

<u>Fiscal Year</u>	<u>Amount Sent to Collections*</u>	<u>Total Collected</u>	<u>Collection Rate</u>
1996	\$ 57,561,591	\$ 14,507,543	25.2%
1997	\$ 91,478,943	\$ 20,373,553	22.3%
1998	\$ 97,752,130	\$ 25,547,758	26.1%
1999	\$ 80,108,334	\$ 25,700,406	32.1%

\*This is the total amount of past-due fines and costs submitted for collection to either private collection agencies, commonwealth attorneys, or the Department of Taxation's Court Debt Collection Unit. It does not include collections from the Tax Setoff Program as all past-due fines and costs are registered with the program in addition to any other collection procedures.

The Office should update its methodology for calculating the allowance for doubtful accounts to reflect current collection percentages. Further, the Office should reevaluate the collection percentages used in estimating the allowance every two years. This will result in the reporting of more accurate net receivables.



## OFFICIALS

### OFFICE OF THE EXECUTIVE SECRETARY OF THE SUPREME COURT OF VIRGINIA

Honorable Harry L. Carrico, Chief Justice

Robert N. Baldwin, Executive Secretary

### CLERK OF THE SUPREME COURT

David B. Beach, Clerk

### CLERK OF THE COURT OF APPEALS

Honorable Johanna L. Fitzpatrick, Chief Judge

Cindy McCoy, Clerk

### VIRGINIA CRIMINAL SENTENCING COMMISSION

Richard P. Kern, Executive Director

### JUDICIAL INQUIRY AND REVIEW COMMISSION

Donald H. Kent, Judge